

REAL ESTATE APPRAISAL
THE CHILTON FEDERAL LAND EXCHANGE
TWO EASEMENTS LOCATED NEAR ARIVACA
IN PIMA COUNTY, ARIZONA

PREPARED FOR:

JESSE L. CORTESE
CHICAGO TITLE INSURANCE
IRVINE, CALIFORNIA

DATE OF VALUE: AUGUST 5, 2004

DATE OF REPORT: OCTOBER 14, 2004

Fowler Appraisal

Fowler Appraisal

October 14, 2004

Jesse L. Cortese
Chicago Title Insurance
17911 Von Karman Avenue, Suite 300
Irvine, CA 92614

Dear Mr. Cortese:

At your request, I have appraised two easements located near Arivaca, in Pima County, Arizona. The purpose of the appraisal is to estimate the market value of the easements. Easement A is an existing easement held by James and Sue Chilton. Easement B is a proposed easement. The intended use of this appraisal is to establish a financial basis for a proposed exchange of the easements between the U.S. Fish and Wildlife Service and the owners of the Chilton Ranch. The intended users are Chicago Title Insurance, James and Sue Chilton, and the U.S. Fish and Wildlife Service. The effective date of value is August 5, 2004, the date of my inspection of the subject easements.

This is a self-contained appraisal report of a complete appraisal as described by the Uniform Standards of Professional Appraisal Practice (USPAP). It conforms to both USPAP and UASFLA. USPAP requires that a market value estimate be tied to an exposure period. A Jurisdictional Exception to USPAP is needed because federal standards (UASFLA) require that no market time or exposure period be estimated.

On the following pages I have described the research and analysis that led to the value estimates. Based upon my investigation and application of the appropriate appraisal approaches, I estimate the market value of the subject property, as though in private ownership, as of August 5, 2004, to be:

Easement A (held by Chilton):	\$15,000
Easement B (held by USA):	\$15,000

Thank you for this opportunity to be of service.

Respectfully submitted,

Lynn Fowler, MAI
Arizona Certified General Real Estate Appraiser #30141

SUMMARY OF FACTS AND CONCLUSIONS

Owner of Record:	Easement A: Chilton Ranch Easement B: USA
Assessor's Parcels:	Portions of 302-27-0040
Purpose of the appraisal:	To estimate the market value of the property
Estate Considered:	The surface rights for ingress and egress, utilities and ranch purposes
Location:	Within the boundary of the Buenos Aires National Wildlife Refuge, approximately one and one-quarter miles northwest of Arivaca, in Pima County, Arizona
Size of The Parcels:	Easement A (Held by Chilton): 4.82 acres Easement B (Held by USA): 3.19 acres
Improvements:	Easement A is not developed. Easement B is graded.
Effective Date of Value:	August 5, 2004
Estimated Market Value, as though in Private Ownership, as of August 5, 2004:	Easement A: \$15,000 Easement B: \$15,000

Table of Contents

FACTUAL INFORMATION	
PURPOSE OF THE APPRAISAL AND DEFINITION OF MARKET VALUE	1
INTENDED USE OF THE APPRAISAL	1
EFFECTIVE DATE OF VALUE AND INSPECTION DATE	1
INTEREST APPRAISED	1
OWNERSHIP	1
PROPERTY IDENTIFICATION	2
SCOPE	2
LARGER PARCEL	3
AREA AND NEIGHBORHOOD DATA	4
PROPERTY DESCRIPTION	8
PHOTOGRAPHS OF THE SUBJECT PROPERTY	13
HIGHEST AND BEST USE	16
VALUATION	
THE VALUATION PROCESS	18
SALES COMPARISON APPROACH	19
CONCLUSION	23
CERTIFICATION	26
UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS	28
ADDENDA	
LEGAL DESCRIPTIONS	30
COMPARABLE SALES DATA	32
QUALIFICATIONS OF THE APPRAISER	

Purpose of the Appraisal and Definition of Value: The purpose of this appraisal is to estimate the market value of the subject properties. Market value is defined as “the most probable price in cash, or terms equivalent to cash, that lands or interests in lands should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeably, and the price is not affected by undue influence.”¹

Intended Use and Intended Users: The intended use of the appraisal is to assist the parties to an exchange of Easements A and B by providing a financial basis for the exchange. The exchange has been initiated because an existing easement was not considered in the sale of the Honnas Ranch to the U.S. Fish and Wildlife Service. The intended users are Chicago Title Insurance, the U.S. Fish and Wildlife Service, and Sue and James Chilton.

Effective Date of Value and Inspection Date: The effective date of value is the date of my inspection of the property on August 5, 2004.

Interest Appraised: The interest appraised is the interest in two surface easements for ingress and egress, utility lines, and ranch purposes. An easement interest is defined as “an interest in real property that conveys use, but not ownership, of a portion of an owner’s property.”² Both easements cross land owned by the United States, within the Buenos Aires National Wildlife Refuge. Easement A is not developed, but benefits James and Susan Chilton, owners of lands immediately south of the Buenos Aires NWR. Easement B is a proposed easement that will be granted to provide substitute access to the Chilton property in this exchange.

Ownership: Both easements are located within lands owned by the United States inside the boundary of the Buenos Aires National Wildlife Refuge, which is administered by the U.S. Fish & Wildlife Service. The easements cross lands purchased by the United States from the Honnas Land and Cattle Company on February 23, 2001, recorded in Docket 11492 at page 1724.

James and Susan Chilton are the holders of Easement A. This easement was acquired in a Deed of Easement from Honnas Land and Cattle Company, to J. C. Parsons, Jr. and Judith K. Parsons, dated February 10, 1982, and recorded in Book 6723 at page 457 in Pima County. In June 2001, Parsons transferred the easement to the Chiltons by a Quitclaim Deed of Easement,

¹43 CFR Ch.II, Section 2200.0-5, Definitions.

² The Appraisal of Rural Property, 2nd Edition, Appraisal Institute, Chicago, and the American Society of Farm Managers and Rural Appraisers, 2000, p. 53.

recorded in Docket 11986 at page 2556. Both deeds describe the easement “for ingress, egress, utilities and ranch purposes, 30 feet in width, for the benefit of the 240 acres located in Section 30, Township 21 South Range 10 East. A copy of the documents are included in the Addendum to this report.

Proposed Easement B follows Fraguita Wash Road, an existing ranch road that crosses what was the Honnas Ranch prior to being incorporated into the Buenos Aires National Wildlife Refuge.

Property Identification: Both easements are located in Section 19, Township 21 South Range 10 East, and a portion of Easement B is also in Section 20, T12S R10E. The legal descriptions are included in the Addendum.

Scope of the Appraisal: This is a self-contained appraisal report of a complete appraisal as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). This report complies with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). This report includes the data that I considered in estimating the value, the appraisal procedures followed, and the reasoning that supports the analysis, opinions, and conclusions.

A requirement of USPAP is that a market value estimate be tied to an exposure period. Federal standards, on the other hand, require that no marketing time or exposure period be estimated, which is allowed as a Jurisdictional Exception under the requirements of USPAP. Additionally, I have appraised the easements as though they crossed lands held in private ownership. Since they encumber land owned by the United States, this constitutes a hypothetical condition as defined in USPAP.

I inspected the subject easements by walking and driving over most of the length of both of the easements, and viewing other areas from high vantage points. I was accompanied on the inspection by James Chilton, the holder of Easement A, and Ginger Francione, my associate.

For sales and market information, primary data was obtained directly by the appraiser and included the buyers and sellers of real estate and those active in the management of real estate. Public sources of data included employees of Pima County Assessor's Office, Treasurer's Office, and Flood Control. County and utility offices provided information on historic ownership, utility availability, zoning regulations, and site boundaries. I also met with Richard Darling, a surveyor who surveyed Easement B, regarding the location of the easement.

Larger Parcel: The subject properties are two easements that run between Arivaca Road and the northern 240 acres of the Chilton Ranch. Both easements cross the Buenos Aires National Wildlife Refuge. Easement A is unimproved, and Easement B is graded, following Fraguita Wash Road. The dominant estate for Easement A is the neighboring Chilton property.

The “Uniform Appraisal Standards for Federal Land Acquisitions” definition of the larger parcel is

...that tract, or those tracts, of land which possess a unity of ownership and have the same, or an integrated, highest and best use. Elements of consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use.

The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) state that appraisal methodology for estimating the market value of an easement is the “before and after” technique, in which the whole property is appraised both before and after the imposition of an easement. The difference in the two values is the market value of the easement.

An exception to the before and after method can be made when the subject property will be exchanged by the federal government. Under these circumstances the methodology can be modified since exchanges are voluntary and not subject to condemnation. Without applying the before and after method, the major difference is in the determination of the larger parcel. The UASFLA larger parcel methodology requires that the property appraised (before the taking) must meet the tests of unity of use, ownership, and contiguity. In an exchange, however, the parcels that will be exchanged are described in an Agreement to Initiate (ATI), essentially defining the larger parcel. The U.S. Fish and Wildlife Service has issued a Request for Appraisal Services that describes the two easements in this exchange, and there is an agreement between the Chiltons and the U.S. Fish and Wildlife Service to complete the exchange. In this case, the larger parcels are Easements A and B. The methodology requested by U.S. Fish and Wildlife and used in this appraisal is to appraise the two easements using comparable sales from the area, much as a property owner would consider local land values if an easement were being acquired. The parcels appraised are the two easements, which are therefore the two larger parcels in this appraisal.

Area Description

The subject property is located in the Altar Valley in south-central Pima County. The region is bordered on the south by the international border with Mexico; on the west by the Tohono O'odham Reservation and the Baboquivari Mountains; on the north by the Avra Valley and the Tucson urbanized area; and on the east by the Santa Cruz River Valley.

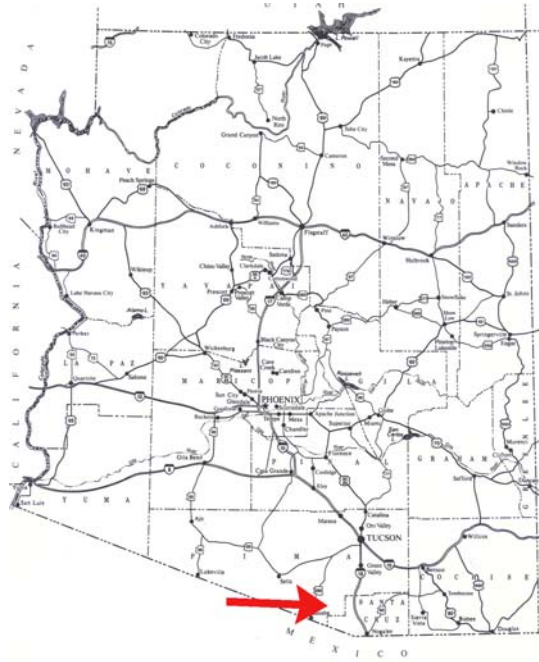
Physical Characteristics. The region is characterized by desert basins with sparse highly adapted vegetation divided by mountain ranges. Rainfall is usually light and quickly soaked up by the desert. Many of the mountain ranges are skirted by alluvial fans - aprons of sand and gravel deposited by mountain streams which flow only after seasonal torrential rains. The region's mountain ranges vary in elevation from 5,000 feet

to over 9,000 feet at the top of Mt. Wrightson and are characterized by desert scrub giving way to chaparral, oak woodland and sub-alpine vegetation at the highest elevations. The desert basins range from 2,500 feet to around 4,000 feet elevation. Sonoran desert vegetation predominates.

Population. Pima County has been one of the fastest growing regions in the United States over the last three decades, encouraged by the combination of climate and economic growth:

	Pima County	Annual % Increase	Arizona	Pima County as a Percent of State
2000	843,746	2.38%	5,130,632	16.4%
1990	666,880	2.30%	3,665,228	18.2
1980	531,443	4.22%	2,718,425	19.6

Employment and the Economy. Tucson, in Pima County, and Nogales, in Santa Cruz County, are the closest major cities to the subject property. Both cities have strong economies. Employers are attracted to Tucson because of the climate and because the



University of Arizona contributes a work force and academic support. Nogales is an important border crossing into Mexico, and is the center of maquiladora activity with a strong retail-based economy.

Transportation. Interstate 10 passes through Tucson, and northerly access to Flagstaff and beyond is via I-17, which joins I-10 at Phoenix. Access to San Diego is via I-8, which joins I-10 near Casa Grande, about 40 miles northwest of Marana. Interstate 19 runs between Tucson and Nogales, Arizona. The primary access to the subject property is via Highway 286 which runs south from Three Points, approximately twenty miles southwest of downtown Tucson.

The Altar Valley

The Altar Valley is located southwest of Tucson. It is bounded by mountain ranges on the east and west, and continues into Mexico beyond the international border. The long narrow Baboquivari Range on the west flank of the Altar Valley marks the edge of the Tohono O'odham Indian Reservation, whose 2,773,377 acres covers most of the western portion of Pima County. Baboquivari Peak is 7,730 feet, and its massive granite dome is both a visual landmark and a feature with spiritual significance to the Tohono O'odham as the birthplace of one of their creators. The Kitt Peak National Astronomical Observatory is located in the north end of this range, in the Quinlan Mountains. Kitt Peak was built in 1958 and contains the largest concentration of facilities in the world for stellar and solar research.

Land Tenure. In the Altar Valley there are large blocks of Arizona State Trust land, there are also scattered BLM lands west of the Altar Valley and north of Arivaca. There is little private land: deeded land predominates in the Arivaca Townsite and scattered tracts are the base lands and ranch headquarters. The Buenos Aires National Wildlife Refuge in the central southern section of the Altar Valley has over 115,000 acres and was established in 1985. Its purpose is to preserve habitat for the reintroduction of the Masked Bobwhite Quail, dependent on the Sonoran grassland savannah. The San Xavier Indian Reservation is located southeast of Three Points and the Tohono O'odham Reservation runs along the western side of the Altar Valley. The Altar Valley historically consisted of large ranches, and today is sparsely settled. It is anchored by two small towns, Three Points, also called Robles Junction, on the north, and Sasabe on the southern border of the United States and Mexico. The unincorporated community of Arivaca, northeast of Sasabe, is a residential and retirement area.

Vegetation and Climate. The biotic community of the area is Semiarid or Desert Grasslands: grasses and shrubs and small trees predominate. The climate is characterized by low rainfall and extreme heat. Summer precipitation accounts for about 60-70% of the total annual rainfall. Summer rains of tropical origin, are primarily in July through early September. A complex series of events usually bring thunderstorms to the area from Gulf of Mexico tropical air. Scattered storms are often brief and intense, occurring between noon and midnight, usually in mid to late afternoon. Thunderstorms can result in severe flooding and erosion. Winter showers usually occur between November and March.

Geology. The area is within the Basin and Range Province and mountains in the area trend generally from southeast to northwest. The slopes are 20 to 45 degrees, and eroded material from the mountains is deposited in the valleys, carried downstream by water. Over time, stream beds are often entrenched, leaving terraces marking the floodplains of former periods of valley development. Altar Wash and Arivaca Creek show numerous terraces along their reaches.

Access. Highway 286 is a two-lane paved roadway that is the primary access through the Altar Valley, originating at its intersection with Highway 86 at Three Points and running south to Sasabe at the International border, and continuing south into Mexico. Three Points has limited commercial services for the surrounding residents and a stopping point between Ajo, Arizona and Tucson. Low density residential development surrounds Three Points.

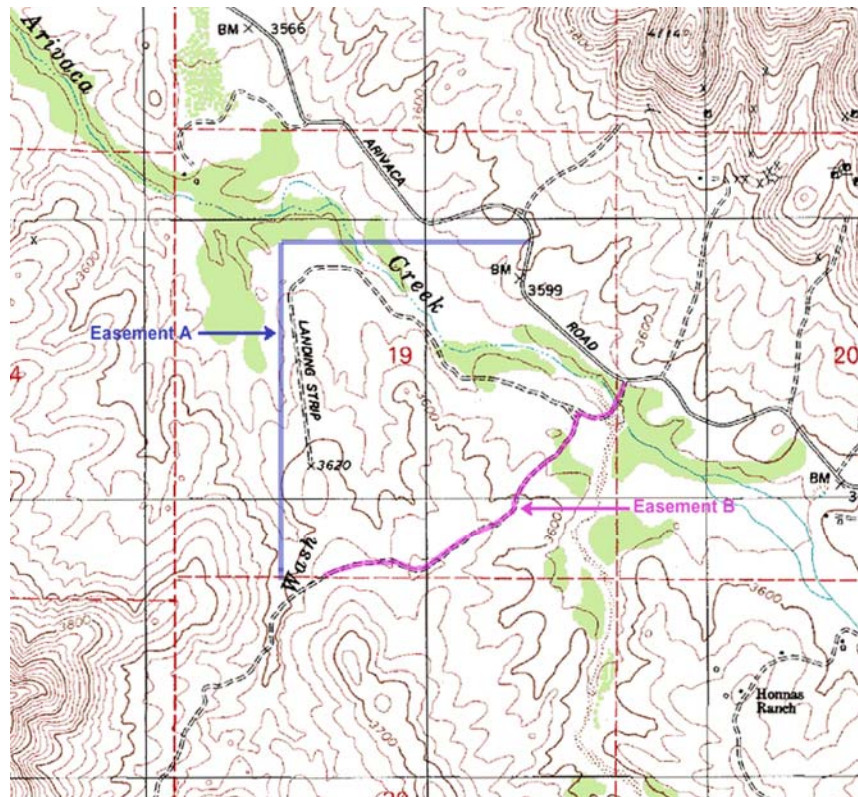
The Arivaca/Sasabe Area

Arivaca: Father Kino first mapped the Arivaca area in 1695. Mining was an important part of the region's early history, and Arivaca has some of the oldest mines in the United States. Many of the mines in the area were worked by Indians under the direction of Tumacacori Mission Padres. Pima Indians occupied the Arivaca area until 1751, when they abandoned it during the Pima Revolt. In 1777 a land grant called La Aribac, which covered the entire valley, was awarded to Tomas and Ignacio Ortiz. La Aribac is an Indian term for "small springs." Final title to the tract was awarded to the Ortiz family on July 2, 1833. By 1835, however, the area was abandoned once more, and was still vacant in 1854 when the region was surveyed by the Boundary Commission. Charles Debrille Poston purchased the La Aribac grant from the Ortiz family in December of 1856 for \$10,000 in gold. The town's post office was established in 1878.

Today the unincorporated community of Arivaca is a residential and retirement area. In the 1950's the population of Arivaca was 100. In 1973, a developer purchased 2,500 acres of the Arivaca Ranch and subdivided it into 40 acre parcels, and the population began to grow. According to the U.S. Census Bureau, Arivaca had a population of 1,002 in 1990, a 44.4% increase from 1980, and 909 in 2000, a slight decline. While there is some local employment in the agricultural, retail and service sectors, many Arivaca residents are employed in Tucson.

Subject Property Descriptions

Location: The subject easements are located approximately one and one-quarter miles northwest of the town of Arivaca. They are within the boundary of the Buenos Aires National Wildlife Refuge, and both cross what was the Honnas Ranch, which was incorporated into the refuge in a 2001 purchase.



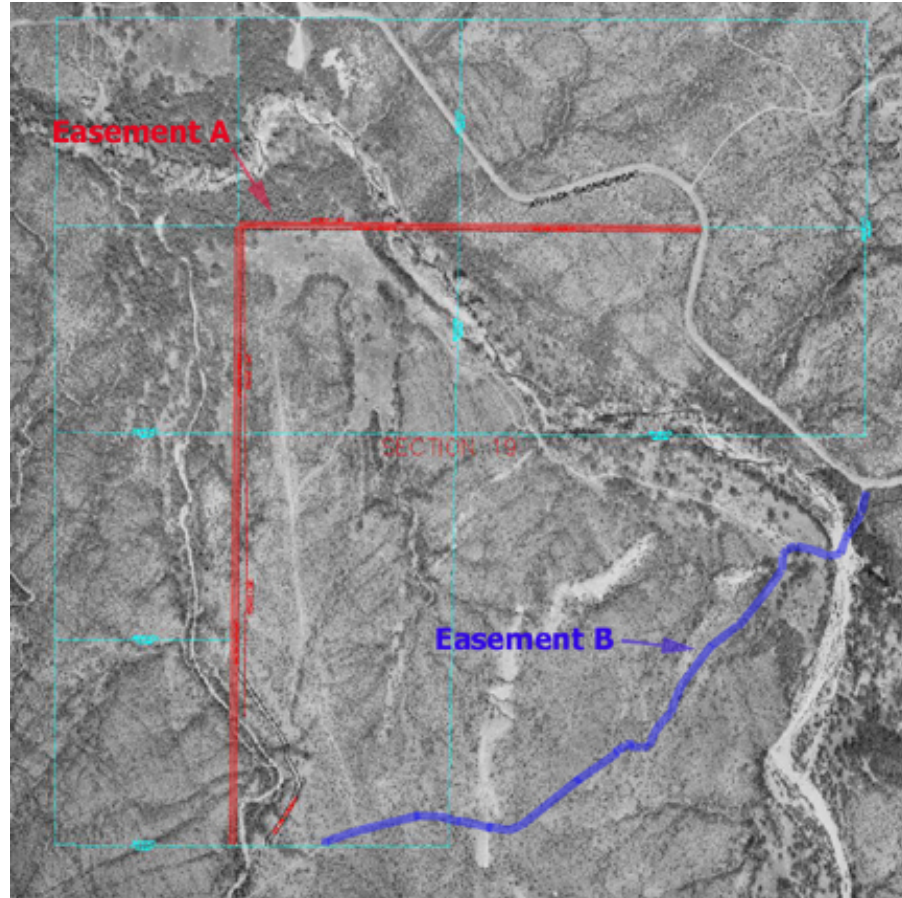
Size and Configuration: Both easements begin at Arivaca Road, and run west/southwest between Arivaca Road and the Chilton Ranch, whose north boundary is the north section line of Section 30.

Easement A is 4.82 acres (30 feet by 7,000 feet) and follows an “L” shaped route, running due west from Arivaca Road and turning south at Caballo Wash. Easement A is 30 feet wide and 7,000 feet in length.

Easement B is 3.19 acres (30 feet by 4,626.39 feet)³ and follows the existing Fraguita Wash Road, which runs southwesterly from Arivaca Road. It is also 30 feet wide, and is 4,626.39 feet in length. Both easements terminate at the south section line of Section 19, approximately 600 feet apart.

Survey: The holder of Easement A contracted with Richard Darling, of Darling Environmental Surveys, Inc., to survey the easements. The resulting survey of Easement A followed a route that commences to the east of the location of the described easement, which is at a sixteenth quarter corner, a

location within the drainage known as Caballo Wash. This survey will not be considered in this appraisal since it does not correspond with the legal description of Easement A. The U.S. Fish and Wildlife Service has directed a strict interpretation of the legal description.⁴



³ The records from U.S. Fish and Wildlife indicated the length of Easement B at 4,775 feet. The survey prepared by Richard Darling had a stated length of 4,626.39 feet, which is used here.

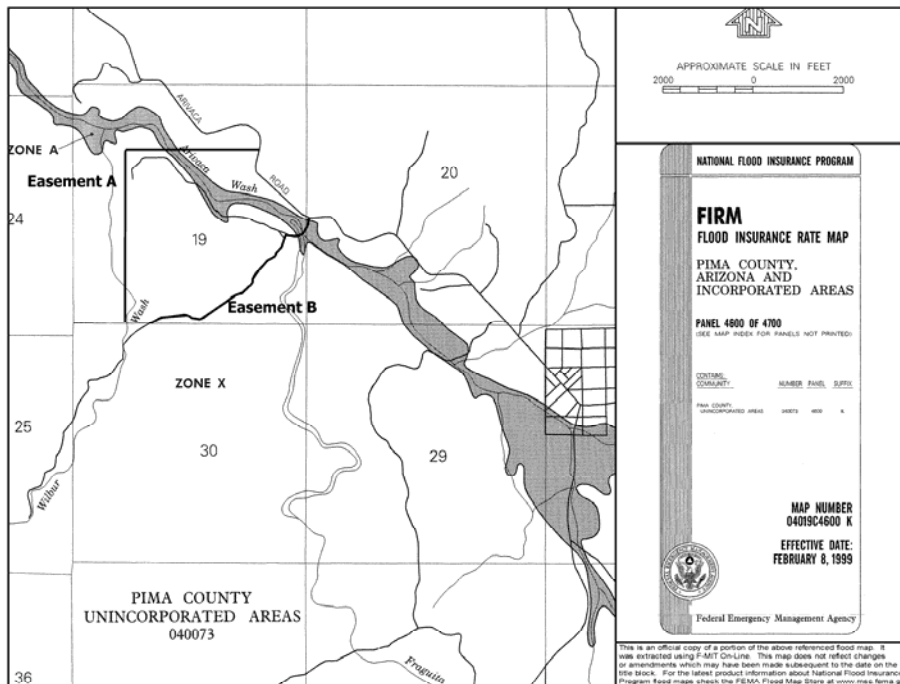
⁴ From the point of beginning the legal description reads "...thence northerly along the west line of the east half of the west half of said Section 19 ... until it intersects the edge of Caballo Wash." The surveyor and easement holder interpreted the beginning point to the east because it would not be possible to travel north and intersect the edge of the wash, given that the point of beginning is located *in* the wash. The desired alternate route is drawn on the aerial above.

Mr. Darling also surveyed Easement B, which follows the existing Fraguita Wash Road. A copy of this survey is included in the Addendum.

Topography and Vegetation: The easements are primarily located in Section 19, although a small portion of Easement B is in Section 20. Section 19 is crossed by Arivaca Creek, a major drainage in the area. Arivaca Creek crosses the north half of the section from near the northwest corner to the east quarter corner. Both easements cross Arivaca Creek, which is sandy and carries ephemeral flow, primarily in periods of heavy rainfall. The creek banks are approximately twenty feet in height at the crossings, and the crossings are not improved. The area is rolling, crossed by other minor drainages, and averages 3,600 feet in elevation.

The vegetation for both easements is similar. There are riparian systems along Arivaca Creek, with characteristic species including cottonwoods and willows. The creek has areas of dense vegetation and well-established large trees. The remaining area that the easements cross is typical upland vegetation, including mesquite, and native shrubs, cactus, and grasses.

Flood Plain: Pima County Flood Control mapping shows that Arivaca Wash is within Zone A, which designates the Federal Emergency Management Agency's 100 year floodplain. Both easements cross Arivaca Wash. The crossing for Easement A is more deeply incised, while the crossing for Easement B is shallower and wider.



Environmental Hazards: No contamination or environmental hazards were evident during my inspection of the subject properties, however, it is not within the scope of this appraisal to determine whether hazards are present. An environmental study should be obtained.

Utilities: There are no utility lines in the immediate area of either easement, however, there are power and telephone lines in Arivaca Road and to the residences located in Section 29, approximately one-half mile southeast of Easement B.

Improvements: Easement B is rough-graded. Easement A has not been developed.

Surrounding Uses: The major land uses in the area are low density residential uses surrounding Arivaca, conservation in the Buenos Aires National Wildlife Refuge, and cattle grazing on private and public lands.

Zoning and Other Restrictions: The underlying fee land is zoned RH, Rural Homestead, which is a Pima County classification allowing one residence per 4.13 acres. According to Pima County, this zone is intended "to preserve the character and encourage the orderly growth of rural areas in the county. It is intended to encourage rural development in areas lacking facilities for urban development and to provide for commercial and industrial development only where appropriate and necessary to serve the needs of the rural area." Permitted uses within the RH zone include single-family detached dwellings, mobile homes, guest dwellings, and agricultural uses. Governmental and quasi-public uses are also allowed. Conditional uses are limited to agricultural processing facilities, commercial feedlots, and low intensity commercial occupancies serving the needs of rural area residents. The minimum site area within the RH zone is 180,000 square feet or 4.13 acres. Use of the property is subject to Pima County subdivision regulations which apply to division of the land into five or more parcels unless the proposed parcels contain at least 36 acres.

Comprehensive Plan: The Pima County Comprehensive Plan designates the subject property for RC, Resource Conservation uses. This classification is intended to "recognize and protect existing, and provide for future, public open space land necessary to achieve policy objectives regarding environmental quality, public safety, open space and recreation and cultural heritage and to promote an interconnected, regional open space network, including parks, trails, desert belts, natural washes, flood-plains, and other open space areas."

Buffer Overlay Zone. The subject property lies within one mile of the boundary of the Buenos Aires National Wildlife Refuge, and as a result, falls under a Pima County ordinance that designates a Buffer Overlay Zone that affects land near rural public preserves. The zone is

designed to “protect and enhance existing public preserves in Pima County as a limited and valuable resource.” The overlay zone imposes structural and design requirements for properties over 25 acres, including controls on building color, lighting, and fencing. There is also a building setback: “no structure, private driveway or road shall be placed within 150 feet of a public preserve....⁵ There is an exception, however: if a land parcel that existed in August 1998 and conformed to the underlying zoning cannot be used because of the setback, the parcel is allowed one single family residence. There is also an exception for access - if the buffer overlay removes reasonable access to the property, the driveway may be located closer to the public preserve.

Photographs of the subject easements are on the following pages.

⁵ Pima County Ordinance 1998-51, Chapter 18.67.050, Buffer Overlay Zone, page 9 of 18.

Subject Photos



Easement A looking west from intersection with Arivaca Road



Easement A looking south from northwest corner

Subject Photos



Looking south from near mid-point along western length of Easement A



Easement B looking west from near eastern edge

Subject Photos



Overview of Easement B looking southwest



Easement B looking southwest from west of Arivaca Creek

Highest and Best Use

Highest and best use is a concept which is derived from market forces including scarcity, demand and purchasing power. These forces are studied with a focus on their effect on the subject property in order to draw a conclusion as to the use that will produce the highest net return to the property. Highest and best use may be defined as "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value."

There are four criteria which must be met in a highest and best use analysis:

Physically possible: What uses are physically possible?

Legally permissible: What uses are permitted by zoning and deed restrictions?

Financially feasible: What possible and permissible uses will produce a positive return?

Maximally productive: Among the feasible uses, which use produces the highest present value?

Since the easements themselves constitute the larger parcels in this appraisal, and the uses are proscribed by the easement language and the nature of the easements, the highest and best use analysis is tailored to the narrow use of the easements.

Legal Uses -- The legal uses of the two subject easements will be for ingress and egress, utilities, and for ranch purposes. These uses are appropriate for the underlying fee land and conform to local zoning regulations.

Physically Possible Uses -- The subject properties are in an area that is used for low density residential development and for cattle ranching. Easements across neighboring private lands for access to pastures and water sources are common.

The terrain is rolling, and both easements have creek crossings. The road has been bladed along Easement B, but Easement A is not developed. Easement A would require substantial clearing of large trees and some engineering to construct a road. The easement is in Caballo Wash at its southern point, and

Feasible Uses – The analysis of feasibility is an examination of potential alternative uses which results in the highest value to the land. With the use essentially having been stated by the nature of the easement, it is evident that use as easements for ingress, egress, utilities and ranch purposes is by default a feasible use of the subject easements.

Easement A, which is the existing access to the Chilton 240 acres, is not developed. While most of the 7,000 feet length of the easement is over rolling or level terrain that would be easily bladed, portions cross drainages (particularly Arivaca Creek and Caballo Wash) that have grade changes and dense vegetation. Construction of a roadway in these areas would be more costly.

It is of interest that the owner of the dominant estate, James Chilton, has divided the 240 acres to the south that is served by his Easement A, with the intention in the future of possibly developing the parcels and offering them for sale. Either Easement A or Easement B would serve such a development. If the exchange is completed, Easement B will serve the purchasers of these lots, and the utilities to these parcels will be constructed within the easement. (Similarly, the intention of Chilton is to develop Easement A for this purpose, should the exchange not be completed.)

The predominant land use in the area is ranching, but this use has been gradually transitioning to low density residential development for more than twenty years. There are also recreational uses in the area. While there is an adequate supply of vacant land to satisfy current demand, at some future point in time the highest and best use of the lands that the easements serve will be for low density development.

Maximally Productive Use – The highest and best use of the easements is to provide ingress, egress, utilities and ranch purposes to the 240 acre Chilton property located at the southern terminus of the easements.

The Valuation Process

There are three approaches to the valuation of real property. These are the cost approach, the sales comparison approach, and the income approach. The applicability and importance of each approach varies with the property type and the specific valuation problem.

Cost Approach: The cost approach is based upon the principle of substitution, which states that a purchaser would not pay more for a property than the cost to construct a substitute with equal desirability and utility, without undue delay. Easement A is not developed, and no cost approach has been included. Easement B is bladed, and the cost of this development is considered in the analysis.

Income Approach: The income approach is based on the principle of anticipation, which states that value is the present worth of expected future benefits of property ownership in the form of an income stream. The income approach is appropriate for properties which are typically bought and sold based on their ability to generate income. The subject parcels would not be purchased for their income producing potential and I have considered but have not included an income approach in this analysis.

Sales Comparison Approach: The sales comparison approach also draws from the principle of substitution, as well as supply and demand. The forces of supply and demand determine availability, and have a direct effect on the prices offered for properties. The sales comparison approach is reliable when comparable sales are available which are similar to the subject and don't require numerous or extensive adjustment. The sales comparison approach can assist in the valuation of an improved property when there are recent sales of properties that are similar to the subject. The sales comparison approach is used in this appraisal.

The sales comparison approach reflects the way market participants would approach the question of what market compensation would be for an access easement. In negotiations for an easement, property owners will consider prices that have been paid for similar lands, and base their decisions on local market activity. In the sales comparison approach, sales of properties in the Arivaca area are used to develop a price per acre for the subject easements. The sales are adjusted to reflect the probable price for a small tract within Section 19, the location of the subject easements.

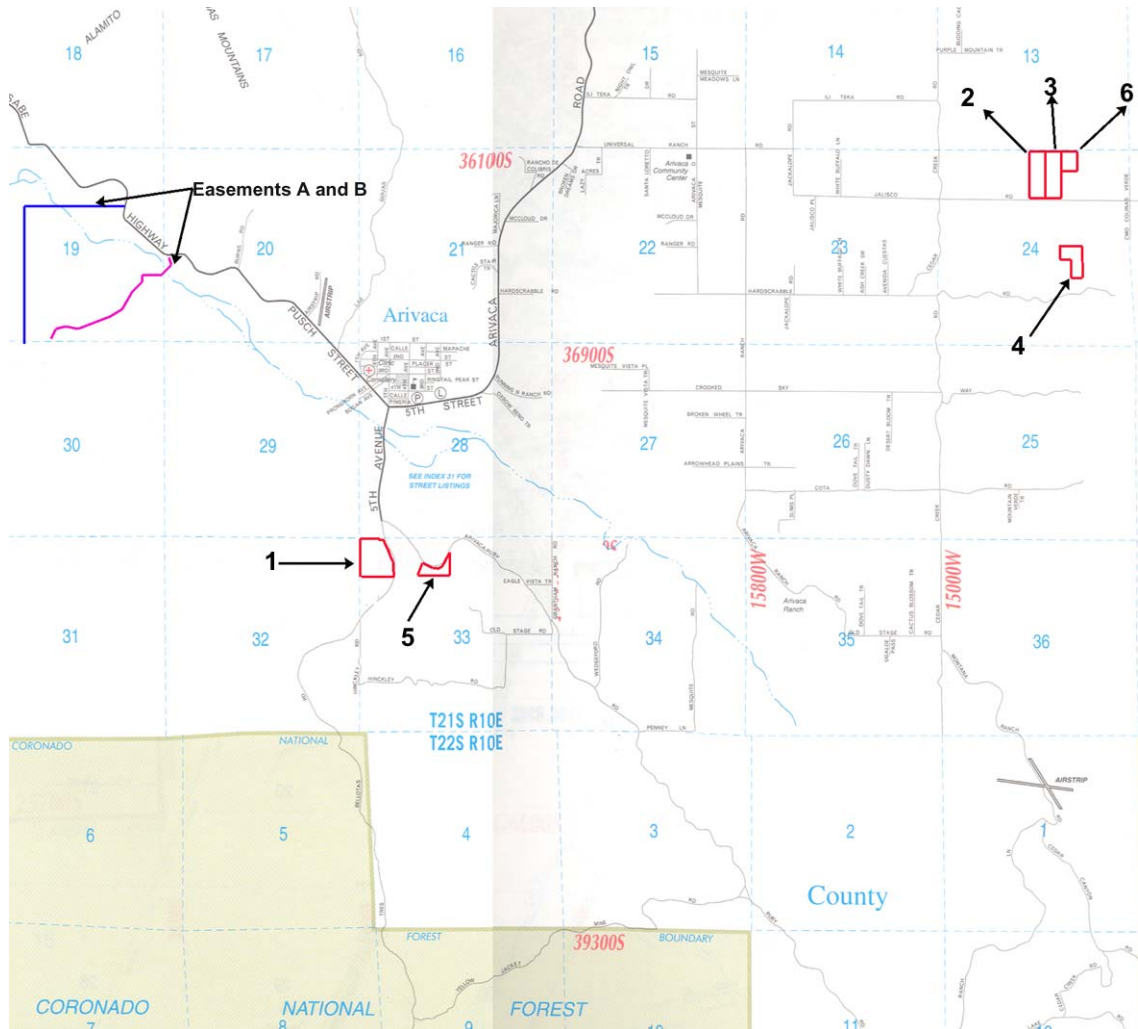
Sales Comparison Approach

The sales that were considered for the estimate of market value of the subject easements are shown below. The land market in the area surrounding the Arivaca Townsite is typically in tracts of land forty acres or larger. There are few parcels outside of the immediate townsite that are as small as the subject easements, or under five acres. I have researched the smaller recent sales, and they range in size from 7.5 acres to 20 acres.

The lack of private land limits the numbers of sales available for analysis. There have been two areas near Arivaca that have experienced recent land sales – northwest of the Arivaca Townsite in the rolling hills off Universal Ranch Road, and south of Arivaca, off Ruby Road. Both of these areas have had recent activity because an owner of a larger tract elected to divide and market lots in these areas. While the sales activity is limited, the two areas provide a reliable picture of the land market in Arivaca. These sales are summarized below. Full details on each sale are included in the Addendum.

	Date	Seller/Buyer Location	Size	Price	Price/Acre
1	Jun-03	Kranichfeld/Robinson SWC Chilton & Tres Bellotas 302-53-004E	25.6	\$58,830	\$2,298
2	Jun-03	Massion/Howe 14550 Jalisco 302-54-004A	20.0	\$37,000	\$1,850
3	Jul-03	Massion/Frolich 14450 Jalisco 302-54-004B	20.0	\$38,000	\$1,900
4	Jul-03	Vangi-Stern/Morris Hardscrabble Road 302-54-017E	7.5	\$17,000	\$2,267
5	Feb-04	Kranichfeld/Sanchez Ruby Road Pcl E, 302-53-003B	18.3	\$43,500	\$2,377
6	Apr-04	Rice/Heriot 14490 Jalisco Road 302-54-001B	9.7	\$25,000	\$2,577

Comparable Sales Location Map



Adjustments to the Sales

I have compared each sale to the subject property, with consideration given to those factors which will affect market value: differences in property rights, financing, specific motivations of buyer or seller, and changes in market conditions. In addition, attention is paid to differences in the location and physical characteristics of each sale property and the subject property. The unit of comparison is the price per acre, since it is the unit used by market participants for this type of property.

Property Rights Conveyed

The subject parcels are appraised based upon their fee interest and no adjustments are needed.

Financing

The subject property is analyzed in terms of cash or on terms which are equivalent to cash. All of the sales are either for cash or the seller cashed out, and no adjustments are needed.

Conditions of Sale

The sale of a property that is subject to atypical motivations of the buyer or seller can affect the selling price of the property. There were no unusual circumstances surrounding any of the sales. All were at arm's length, and there was no duress on the part of the sellers. None of the sales required adjustment for market conditions.

Market Conditions

Market values for developable tracts that are fairly close to Arivaca have been increasing during the past two years. A comparison of two of the comparable sales, and of the sale and resale of Sale 6, shows that prices have been increasing.

Sale 5	Feb-04	\$2,377		
Sale 1	<u>Jun-03</u>	<u>\$2,300</u>		
	0.67	\$77	=	4.9% per year

Sale 6	Apr-04	\$ 2,580		
Sale 6	<u>Jun-88</u>	<u>\$ 1,907</u>		
	15.84	\$ 673	=	1.9% per year

The matched pairs suggest that the increase in market values in this size group is in the range from 2% per year to 5% per year compounded. The second pair is reliable, because it is a resale of the same tract. The first pair is two sales along Ruby Road, and they are more similar in appeal and location to the subject area. I have adjusted the comparable sales upward by 3% per year.

Location and Physical Characteristics

Regional appeal, proximity to services and infrastructure, access and physical appeal of certain physical characteristics such as views and vegetation are physical attributes that can affect value.

Location and Appeal. Four of the sales are located off of Universal Ranch Road, on Jalisco Road and on Hardscrabble Road, northwest of Arivaca. This area is generally inferior to the subject

area. There is an abundance of land available for purchase, and it consists of rolling and sometimes steep terrain, accessed over poorly maintained unpaved roads. The subject property is more desirable because of its location near Arivaca Creek, and is generally more scenic, although the subject easement areas contain both land types. The two sales that are off of Ruby Road are similar to the subject property area. They are also fairly close to Arivaca Creek and to town.

To estimate the appropriate upward adjustment to the sales northwest of Arivaca, I have compared the sales, after adjusting them for market conditions above:

Sale 5	Ruby	\$2,464			
Sale 2	NW	<u>\$1,923</u>			
		\$541	/	\$2,464	= 22.0%
Sale 1	Ruby	\$2,391			
Sale 3	NW	<u>\$1,972</u>			
		\$419	/	\$2,391	= 17.5%
Sale 5	Ruby	\$2,464			
Sale 3	NW	<u>\$1,972</u>			
		\$492	/	\$2,464	= 20.0%
Sale 1	Ruby	\$2,391			
Sale 2	NW	<u>\$1,923</u>			
		\$468	/	\$2,391	= 19.6%

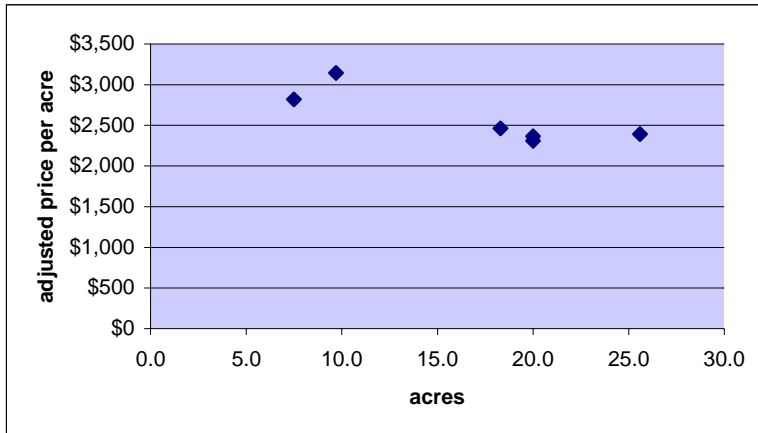
The comparisons show a range of 17.5% to 22%. I have adjusted the sales northwest of Arivaca upward by 20% to reflect the difference in location and physical characteristics.

Size. It is usually found that if all else is equal, larger parcels sell for less per acre than smaller parcels. This is due to economies of scale, and the fact that there are usually fewer buyers for a larger tract than for a smaller tract.

The comparable sales range in size from approximately 7.5 acres to 25 acres. The sales are arrayed below according to size, with the indicated price after the adjustments for market conditions and for location discussed above are applied:

Sale 1	25.6	\$2,391
Sale 5	18.3	\$2,464
Sale 2	20.0	\$2,308
Sale 3	20.0	\$2,366
Sale 6	9.7	\$3,144
Sale 4	7.5	\$2,820

The sales that are between 18 acres and 25 acres are falling in a range from \$2,366 per acre to \$2,464 per acre. The two smaller sales, that are 7.5 acres and 9.7 acres, have a higher unit price, between \$2,820 per acre and \$3,144 per acre. This difference is illustrated by a graph:



The indicated adjustment for size is an upward adjustment of \$650 per acre (\$3,000 less \$2,350). I have adjusted the larger sales upward by \$650.

Road Access. There is sometimes a market recognition of differences in road access in Arivaca. In this analysis, the more difficult access of the sales northwest of Arivaca compared with the sales on Ruby Road has been absorbed in the location adjustment, and no further adjustment is needed. The subject property more closely resembles the superior Ruby Road sales with its frontage on Arivaca Road.

Utilities. All of the sales, like the subject property, are near utilities, although they do not have power or telephone installed. No adjustments are needed for utilities.

Conclusion of Value

Following is an adjustment grid which shows the adjustments made to each sale to make them comparable to the subject property.

The Chilton Land Exchange
Arivaca, Arizona

	Subject	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6
<i>DATE OF SALE</i>	Oct-04	Jun-03	Jun-03	Jul-03	Jul-03	Feb-04	Apr-04
<i>LOCATION</i>	Arivaca	Ruby Rd	NE Arivaca	NE Arivaca	NE Arivaca	Ruby Rd	NE Arivaca
<i>NET SALE PRICE</i>		\$58,830	\$37,000	\$38,000	\$17,000	\$43,500	\$25,000
<i>YEARS LAPSED</i>		1.31	1.30	1.25	1.21	0.64	0.52
<i>SIZE IN ACRES</i>		25.6	20.0	20.0	7.5	18.3	9.7
<i>NET PRICE PER ACRE</i>		\$2,300	\$1,850	\$1,900	\$2,267	\$2,377	\$2,580
ADJUSTMENTS:							
Market Conditions @ 3%		\$91	\$73	\$72	\$83	\$87	\$40
ADJUSTED PRICE		\$2,391	\$1,923	\$1,972	\$2,350	\$2,464	\$2,620
PHYSICAL FEATURES:							
LOCATION	Arivaca	similar	inferior	inferior	inferior	similar	inferior
Location Adjustment		\$0	\$385	\$394	\$470	\$0	\$524
SIZE	A: 4.82	larger	larger	larger	similar	larger	similar
Size Adjustment	B: 3.19	\$650	\$650	\$650	\$0	\$650	\$0
INDICATED VALUE							
FOR THE SUBJECT IS:		\$3,041	\$2,958	\$3,016	\$2,820	\$3,114	\$3,144

After adjustments, the range of value indications is between \$2,800 per acre and \$3,150 per acre, rounded. For the estimate of market value I have considered each sale and its comparability to the subject property. Sales 4 and 6 are the smallest sales and are most similar to the subject easement sizes. Sales 1 and 5 are on Ruby Road, a location that is physically most similar to the subject area. I have placed most weight on these sales. Since the easements are smaller than the two smallest sales, I have tended toward the high end of the indicated range. My opinion is that the market value of the land under the subject easements is \$3,100 per acre. The market value for the 4.82 acre Easement A is \$14,942, which is rounded to \$15,000. The market value for the 3.19 acre Easement B is \$9,889, which is rounded to \$10,000.

An access easement is not the full fee interest in the land, but represents something less than the full ownership. With an easement that allows the owner of the underlying fee interest to use the land in some beneficial way, such as underground easements, are typically valued as a percentage of the full fee value.

In the present case, the value of the easements is equal to 100% of the fee value of the property. The owner of the underlying fee has lost the use of the land under the easements, and no percentage allocation is appropriate.

Estimated Land Value of Easement A, as of August 5, 2004: \$15,000

Estimated Land Value of Easement B, as of August 5, 2004: \$10,000

Improvements to Easement B

Unlike Easement A, which is undeveloped, the proposed Easement B has been graded its full length, which adds to its value. The contribution to market value of the road improvements can be estimated by considering the cost to grade the road as of the date of value. This approach is consistent with the marketplace – a purchaser of the easement would consider the cost to grade the property in a purchase decision.

I have consulted with several road construction companies in the Tucson area for cost estimates. No Arivaca road contractors could be found to obtain a more local estimate. I spoke with Jay Hoke of Hoke Construction who said that the estimated cost for blading the road over Easement B would be between \$2,500 to \$3,000. Jamie Henden of Henden Excavating reported a wider range, between \$2,000 and \$5,000, depending upon the amount of rock that is encountered.

I have checked the figures from the estimates against the cost estimates in the Marshall and Swift Construction Cost Manual, however, their costs are for residential subdivision uses and include costs that are not typically encountered in simple grading of a ranch road, such as design, engineering, and surplus material disposal. The low end of the range indicated by Marshall and Swift is over \$20,000, which is substantially above the Tucson contractors' estimates. As a result, I have not relied on Marshall and Swift, but have instead used the contractor estimates.

Without a prepared estimate, the contribution from the road improvements is estimated as a range, from \$2,000 to \$5,000. Adding the range in estimated grading expense to the land value of \$10,000 results in an estimated market value between \$12,000 and \$15,000 for Easement B.

The market value of the two easements that will be exchanged are quite close: \$15,000 for Easement A and between \$12,000 and \$15,000 for Easement B. In situations where property owners are exchanging easements, market participants would deem these values to be nearly equivalent, and would likely regard this as an even exchange of the properties. Therefore, I have estimated that the market value of each of the easements is \$15,000.

Estimated Land Value of Easement A, as of August 5, 2004: \$15,000

Estimated Land Value of Easement B, as of August 5, 2004: \$15,000

Certification

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and legal instructions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the analyses, opinions, or conclusions reached or reported, upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions* and the *Uniform Standards of Professional Appraisal Practice*, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-114 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers.
- the use of this report is subject to the requirements of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report and all comparable sales used in developing the estimate of value. The date of the inspection was August 5, 2004. The property owner was given the opportunity to accompany me on the property inspection.

Certification, cont'd.

- no one provided significant professional or real property appraisal assistance to the person signing this certification.
- as of the date of this report, Lynn Fowler, MAI had completed the requirements of the continuing education program of the Appraisal Institute.
- in my opinion, the market value of the subject property as of August 5, 2004 is:

Estimated Market Value of Easement A: \$15,000

Estimated Market Value of Easement B: \$15,000

Lynn Fowler, MAI
ARIZONA CERTIFIED GENERAL REAL ESTATE APPRAISER #30141

Underlying Assumptions

The legal descriptions are assumed to be correct.

I did not prepare a survey of the property nor am I qualified to do so. I take no responsibility for any survey of the property.

No responsibility is assumed for matters of a legal nature affecting the title of the property nor is an opinion of title rendered herein. The title to the property is assumed to be good and merchantable.

Information furnished by others is assumed to be true, correct, and reliable and a reasonable effort has been made to verify such information. However, I take no responsibility for the accuracy of the information provided by others nor is that information guaranteed.

All mortgages, liens, encumbrances, leases, and servitudes have been disregarded except the easement on the property. The property is valued assuming competent management and responsible ownership. This assumption may vary with the actual management of the property.

I assume there are no hidden or unapparent conditions impacting the property. Should a circumstance arise where a hidden or unapparent condition exists, I reserve the right to amend the appraisal accordingly.

I assume all applicable federal, state, and local regulations and laws have been complied with.

I assume all zoning and land use regulations and restrictions have been complied with.

I assume the use of the land and improvements is within the property lines of the property described herein and there is no encroachment or trespass.

Only a visual surface inspection of the property appraised has been made by the appraiser. The appraiser assumes no liability for damages or losses sustained by the client, property owner, or other parties for latent or non-apparent defects existing on, below, or above the property which may not be readily ascertainable by a visual surface inspection.

The appraiser is not aware of hazardous material on or in the property that would cause a loss in value. The existence of hazardous material, which may or may not be present in the property, was not observed by the appraiser or acknowledged by the owner when asked. The appraiser has no knowledge of the existence of such materials on the property. The appraiser, however, is not qualified to detect such substances. The presence of hazardous material or substances may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field if desired.

Limiting Conditions

The appraiser will not be required to give testimony or appear in court or any judicial hearing because of having made this appraisal or with reference to the property being appraised unless prior arrangements have been made.

Possession of this report or an authorized copy thereof does not carry with it the right of publication. This report may only be reproduced in its entirety and at that, only with the permission of the author. I take no responsibility for unauthorized or incomplete copies of this report nor should any right thinking person rely on an incomplete or unauthorized copy of this report in making a fiduciary decision.

Neither all nor any part of the contents of this report or an authorized copy thereof shall be conveyed to the public through advertising, prospectus, public relations, news, sales, or any other media without the written consent of the appraiser (except as allowed under the Freedom of Information Act (5 U.S.C. 552)).

Should there be any cross easements, covenants, conditions, or restrictions impacting the subject property that are not identified and considered in this report, I reserve the right to amend this report to reflect such restrictions. I have assumed the property is encumbered to the extent that it is identified in this report and should there be any hidden, unreported, or unapparent differences, the value conclusions are subject to amendment to reflect the differences.

Addenda

Legal Descriptions

The legal description for Easement A is taken from the deeds transferring the underlying fee interest in the property. The legal description for Easement B is taken from a survey prepared by Richard Darling, Surveyor.

Easement A:

An easement for ingress, egress, utilities, and ranch purposes, 30 feet in width for the benefit of the 240 acres located in Section 30 (SW1/4 and E1/2 NW1/4), Township 21 South, Range 10 East, G&SRB&M, described as follows:

A right of way 30 feet wide beginning at the corner common to the SE1/4 SW1/4 and the SW1/4 SW1/4 of Section 19, Township 21 South, Range 10 East, and the NW1/4 NW1/4, and the NE1/4 NW1/4 of Section 30, Township 21 South Range 10 East, G&SRB&M.

thence Northerly along the West line of the E1/2 of the W1/2 of said Section 19, Township 21 South, Range 10 East until it intersects the edge of Caballo Wash;

thence around the Easterly edge of said Caballo Wash and back to said line along the West line of the E1/2 of the W1/2 of Section 19, Township 21 South, Range 10 East;

thence Northerly along said line to a point being the Northwest corner of the SE1/4 NW1/4 of said Section 19;

thence East along the North line of the S1/2 N1/2 of said Section 19, until it intersects the Westerly right of way line of the Arivaca-Sasabe County Road, being the point of termination.

Easement B:

Right of ingress and egress across a portion of the S1/2 of Section 19, T21S R10E and a portion of the NW1/4 of the SW1/4 of Section 20, T21S R10 E, G&SRB&M, Pima County, Arizona. Said right being a 30 foot easement 15 feet each side of the following described centerline:

Beginning at the N1/4 of Section 30, T.21S., R.10E., G&SRB&M;

Thence S00°29'45"W, 755.70 feet;

Thence S67° 55'44"W, 35.87 feet to the TRUE POINT OF BEGINNING;

Thence N67°55'44"E, 203.51 feet;

Thence Easterly along a tangent curve to the right having a radius of 1000 feet passing through a central angle of 33°03'10", an arc length of 576.88 feet;

Thence S79°01'06"E, 338.81 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 100 feet passing through a central angle of 46°42'36", an arc length of 81.52 feet;

Thence N54°16'18"E, 862.02 feet;

Thence Northeasterly along a tangent curve to the right having a radius of 100 feet passing through a central angle of $31^{\circ}32'31''$, an arc length of 55.05 feet;

Thence $N85^{\circ}48'49''E$, 92.59 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 100 feet passing through a central angle of $42^{\circ}21'43''$, an arc length of 73.94 feet;

Thence $N43^{\circ}27'06''E$ 162.31 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 200 feet passing through a central angle of $28^{\circ}14'09''$, an arc length of 98.56 feet;

Thence $N15^{\circ}12'58''E$, 126.46 feet;

Thence Northeasterly along a tangent curve to the right having a radius of 100 feet passing through a central angle of $20^{\circ}52'43''$, an arc length of 36.44 feet;

Thence $N36^{\circ}05'40''E$, 162.61 feet;

Thence Northeasterly along a tangent curve to the right having a radius of 200 feet passing through a central angle of $13^{\circ}24'37''$, an arc length of 46.81 feet;

Thence $N49^{\circ}30'17''E$, 389.86 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 500 feet passing through a central angle of $08^{\circ}00'08''$, an arc length of 69.83 feet;

Thence $N41^{\circ}30'09''E$, 239.82 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 100 feet passing through a central angle of $43^{\circ}20'30''$, an arc length of 75.65 feet;

Thence $N 01^{\circ} 50'20''W$, 62.36 feet;

Thence Northeasterly along a tangent curve to the right having a radius of 100 feet passing through a central angle of $105^{\circ}31'20''$, an arc length of 184.17 feet;

Thence $S76^{\circ}19'00''E$, 224.70 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 50 feet passing through a central angle of $65^{\circ}02'12''$, an arc length of 56.76 feet;

Thence $N38^{\circ}38'48''E$, 165.24 feet;

Thence Northeasterly along a tangent curve to the left having a radius of 100 feet passing through a central angle of $38^{\circ}26'03''$, an arc length of 67.08 feet;

Thence $N00^{\circ}12'46''E$, 173.41 feet to the Southerly right of way line for the Arivaca to Sasabe Road.

QUALIFICATIONS OF LYNN FOWLER, MAI

PROFESSIONAL EXPERIENCE	1999-present: Principal, Fowler Appraisal
	1992-1999: Appraiser, Headquarters West, Ltd.
	1987-1992: Appraiser, Sanders K. Solot and Associates
	1985-1987: Chief Appraiser, Pima County Department of Transportation
	1982-1985: Appraiser, Pima County Assessor's Office
PROFESSIONAL DESIGNATIONS AND AFFILIATIONS	Member, Appraisal Institute American Society of Farm Managers and Rural Appraisers
STATE CERTIFICATIONS	Certified General Real Estate Appraiser in Arizona and New Mexico
APPRAISAL INSTITUTE COURSES (PARTIAL LIST)	Real Estate Appraisal Principles Basic Valuation Procedures Capitalization Theory and Techniques Case Studies in Real Estate Valuation Valuation Analysis and Report Writing Standards of Professional Practice Litigation Valuation Computer Assisted Investment Analysis
AMERICAN SOCIETY OF FARM MANAGERS AND RURAL APPRAISERS COURSES	Advanced Rural Appraisal Advanced Resource Appraisal Advanced Appraisal Review
EDUCATION	Bachelor of Arts Degree in English Literature, Colorado State University, 1970
	Graduate study at Arizona State University, 1971
QUALIFIED EXPERT WITNESS	U.S. Federal Court of Claims Pima County Superior Court Cochise County Superior Court